

The effect of board of commissioners, audit committee, and stock ownership concentration on audit report lag of banking companies in Indonesia Stock Exchange

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ARTICLE INFO

Article history:

Received 15 September 2013

Revised 20 December 2013

Accepted 1 January 2014

JEL Classification:

M40

Key words:

Corporate Governance,
Audit Report Lag,
Board of Commissioners,
Audit Committee,
Ownership Concentration.

DOI:

10.14414/tiar.14.040102

ABSTRACT

This study aims to examine the effect of corporate governance characteristics such as board size, independence of the board of commissioners, the size of the audit committee, audit committee independence, audit committee competence, and concentration of stock ownership on audit report lag. In addition, this study also tests three control variables such as firm size, type of auditor, and profitability. One hundred and fifty-six sample of banking companies listed in the Indonesia Stock Exchange during the 6 years of the study were obtained by using purposive sampling technique. The results of multiple regression analysis proved that only board size variable that affects the audit report lag, while the other three control variables has no significant effect on audit report lag. This result suggested that auditors perform the audit more efficiently and effectively, for BAPEPAM-LK and Bank Indonesia as regulator to review again the regulation about corporate governance, for the future researcher to be reference in developing research.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh karakteristik tata kelola perusahaan seperti ukuran dewan komisaris, independensi dewan komisaris, ukuran komite audit, independensi komite audit, kompetensi komite audit, dan konsentrasi kepemilikan saham pada laporan audit lag. Selain itu, penelitian ini juga menguji tiga variabel kontrol seperti ukuran perusahaan, jenis auditor, dan profitabilitas. Seratus lima puluh enam sampel perusahaan perbankan yang terdaftar di Bursa Efek Indonesia selama 6 tahun penelitian diperoleh dengan menggunakan teknik purposive sampling. Hasil analisis regresi berganda menunjukkan bahwa hanya variabel ukuran dewan komisaris yang mempengaruhi laporan audit lag, sedangkan tiga variabel kontrol lainnya tidak berpengaruh signifikan terhadap laporan audit lag. Hasil ini menunjukkan bahwa auditor melaksanakan audit lebih efisien dan efektif, untuk BAPEPAM-LK dan Bank Indonesia sebagai regulator untuk meninjau kembali peraturan tentang tata kelola perusahaan, bagi peneliti selanjutnya, ini bisa dipakai untuk menjadi acuan dalam pengembangan penelitian.

1. INTRODUCTION

Kieso (2010:47) explained that information is considered timely if the information is available before it loses its ability to influence the decisions of the users. Thus, the lack of timeliness of the financial statement disclosure will reduce the benefits of the users of the financial statement. Accordingly, the information in the financial statement could be irrelevant if it is not available when needed. The

longer the audit report lags, the longer the companies deliver and publish the financial statements (Nahumury, 2010).

Given the importance of timeliness of the information submission, mechanisms are required to ensure that the information in the financial statement can be presented timely. One of the mechanisms that can be used is corporate governance. Regulation X.K.6, on the submission of the Issuers'

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or Public company's Annual Report, requires that the financial statements of the issuer or public company which are published should contain information about corporate governance. One of the corporate governance principles is transparency. The principle requires that the company shall submit and publish financial statements on a timely basis (National Committee for Governance, 2006 and the Organization for Economic Co-operation and Development, 2004).

National Committee on Governance (NCG) reformed the guidelines of the implementation of good corporate governance (GCG) in Indonesia in 2006. However, based on the annual report of the Bapepam-LK (Financial Institutions And Capital Market Supervisory Agency) in 2012, some companies were still late to report their financial statements to Bapepam-LK although the GCG guidelines have been updated.

This has prompted the researcher to examine the effect of good corporate governance on audit report lag. In addition, the sample banking companies listed on the Indonesia Stock Exchange (IDX) are used in this study because this type of company has uniqueness as follows; 1) Bowing to the two institutions; Bank Indonesia and Bapepam-LK, 2) Classified in the financial company that has an audit report lag shorter than other type of company, such as manufacturing companies. It is based on the research conducted by Cullinan (2003), Che-Ahmad and Abidin (2008), Nahumury (2010), and Ahmed and Hossain (2010).

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Agency theory explains the relationship between principals and agency, where the principals delegate their work to the agency. (Mallin 2007: 12). Wardhani & Raharja (2013) explained that in the context of company, the owner of the company is considered as a principal while the agency is the company's directors. The delegation of the authority can cause problem of belief because the agency does not always work for the benefit of the principal. Therefore, good corporate governance mechanisms are needed to confirm this. In addition, a third party is also needed, which is expected to be able to provide an objective valuation of the financial statements by conducting an audit. The audit process will certainly take a long time, considering the great number of transactions owned by the go-public companies (Nahumury, 2010). This can lead to an audit report lag so that the agency theory be-

comes a theoretical basis not only for corporate governance, but also for the audit report lag.

Signalling Theory

Signals in the relationship between the management and the owner of the company are the actions taken by the management to provide information about the condition of the company to the stakeholders (Febranty, 2011). Therefore, the disclosure of information in the financial statements is one of the signals provided by the management to the stakeholder. The relationship between signalling theory and audit report lag is related to the length of time required to convey the information to the stakeholders. The longer the audit report lag, the longer the time taken to convey management signals to the stakeholder.

The Effect of Independent Board of Commissioners on Audit Report Lag

The more independent board of commissioners have tendency that the delays in presenting the financial statements can be minimized so that the audit report lag is getting shorter, Afify (2009). This could happen because the independent party does not have a special relationship with the directors and the company so that they are more independent in performing monitoring.

H_{a1} : Independent board of commissioners affects audit report lag

The Effect of Board of Commissioners Size on Audit Report Lag

Previous research conducted by Wardhani and Raharja (2013) proved that the board of commissioners size significantly affects the audit report lag because the greater number of commissioners will allow the monitoring process to be carried out more thoroughly in order to encourage the directors to work according to the existing provisions. In accordance with the thought of Mohamad-Nor et al. (2010) that the greater the members of the board, the greater the quality improvement of the supervision to the directors. This can minimize delays in the delivery of the information in the financial statements conducted for the benefit of the commissioners so that the audit report lag can be shortened.

H_{a2} : Board of commissioners size affects audit report lag

The Effect of Stock Ownership Concentration on Audit Report Lag

Previous research conducted by Afify (2009) proved that stock ownership concentration does

not significantly affect the audit report lag. This is due to the need for equal information among the shareholders, or in other words, there are no shareholders who wish to have more dominant information than the other shareholders so that the financial statements can be completed immediately.

H_{a3} : Stock ownership concentration affects audit report lag

The Effect of the Independence of Audit Committee on Audit Report Lag

Previous research conducted by Wardhani and Raharja (2013), and Afify (2009) proved that the independence of the audit committee significantly affects the audit report lag. This occurs because the greater number of independent audit committee members will further tighten the controls to minimize the error so that the presence of independent board of commissioners will shorten the audit report lag.

H_{a4} : Audit committee independence affects audit report lag

The Effect of Audit Committee Competence on Audit Report Lag

Research conducted Wardhani and Raharja (2013) proved that the competence of the audit committee significantly affects the audit report lag. They suggested that the presence of competent members of the audit committee can detect the occurrence of material misstatements so as to shorten the audit report lag.

H_{a5} : Audit committee competence affects audit report lag

The Effect of Audit Committee Size on Audit Report Lag

Previous research conducted by Mohamad-Nor et al. (2010) proved that the size of the audit committee significantly affects the audit report lag. They explained that the greater number of audit committee members that perform supervision make the company's internal controls better. Thus it can minimize the occurrence of financial restatements when the companies are audited by the independent auditors.

H_{a6} : Audit committee size affects audit report lag

The Effect of Firm Size on Audit Report Lag

Research conducted by Afify (2009) found that the company that has big total assets tends to have good internal control so as to be able to minimize errors and expedite the process of audits conducted by the independent auditor. Therefore, the auditor does not take long time to get the confidence in

giving opinion on the company's financial statements so that the audit report lag can be shortened.

H_{a7} : Firm size affects audit report lag

The Effect of Type of Auditor on Audit Report Lag

Rahmawati (2008) found a significant relationship between the type of auditor and the audit report lag. This occurs because the auditors who come from the Big Four Public Accounting Firms are more experienced so that the audit process can be done more quickly. In addition, according to Shulthoni (2012), The Big Four Accounting Firm can complete audit process faster because there is a motivation to maintain its reputation in the eyes of the clients.

H_{a8} : Type of auditor affects audit report lag

The Relationship between Profitability and Audit Report Lag

Research conducted by Rahmawati (2008) and Kartika (2011) found no significant relationship between the profitability and the audit report lag. This means that the good news about the high rate of profitability does not always speed up the audit process because there is possibility that the auditors will ask whether the high rate of profitability is true or just manipulation, so it takes more time to complete the audit process. That makes the audit report lag get longer. In addition, Kartika (2011) also found that lower rate of profitability triggers the setbacks of the publication of financial statements so that it is possible to ask the auditors to set the audit period longer than usual.

H_{a9} : Profitability affects audit report lag.

The research framework is shown in Figure 1.

3. RESEARCH METHOD

Sample Classification

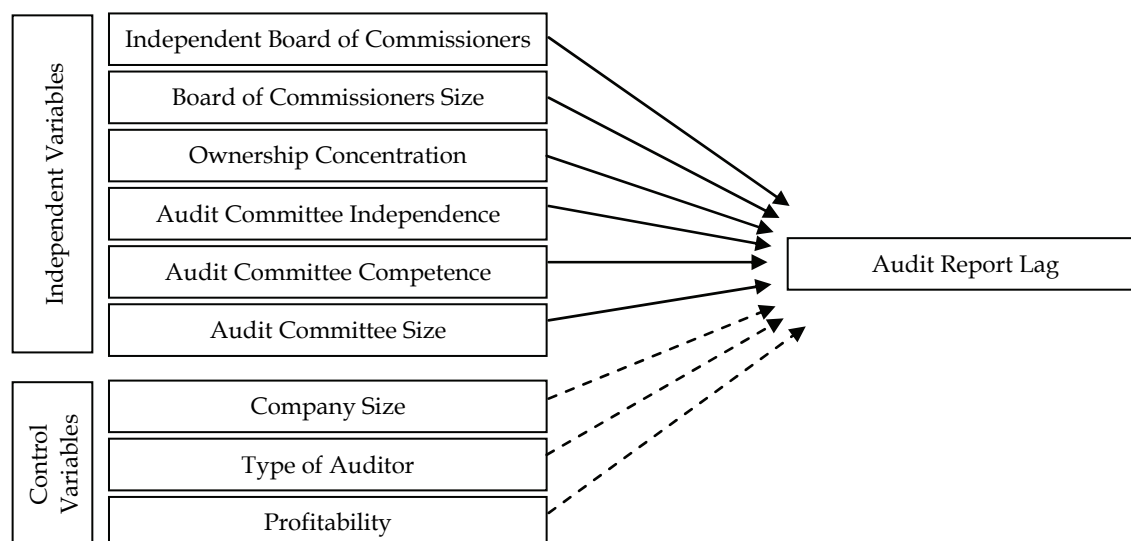
The population of this study is banking companies listed in Indonesia Stock Exchange in 2007-2012. Purposive sampling method is used in selecting the samples in this study.

The criteria used in selecting the samples of this study are as follows: (1) the banking companies listed in Indonesia Stock Exchange from 2007 to 2012 respectively, (2) the banking companies that convey and publish financial statements respectively from 2007 to 2012, (3) the banking companies that publish financial statements ending on December 31.

Research Data

The data consists of secondary data of the annual report which has been audited by an independent

Figure 1
Research Framework



auditor. Secondary data is the data obtained by researcher from statistical journals and publication or non-publication sources (Sekaran, 2011: 245). The search of data sources is obtained from the website of the Indonesia Stock Exchange through internet access with the website address www.idx.co.id and the issuer's website.

Research Variables

The research variables used in this study are dependent and independent variables. The dependent variable includes audit report lag, while the independent variables include independent board of commissioners, board of commissioners' size, stock ownership concentration, audit committee independence, audit committee size, and audit committee competence. In addition, the control variable in this study includes firm size, type of auditor, and profitability.

Operational Definition and Variables Measurement

Audit report lag

Audit report lag is the number of days from the end of the fiscal year to the date of the audit report (Mohamad-Nor et al. 2010). The longer the auditor completes the audit work, the longer the audit report lag will be (Wardhani and Raharja, 2013). Audit report lag variable in this study is measured quantitatively by counting the number of days counted from the end of the fiscal year (December 31) to the date of the audit report (based on the time difference between the date of the financial statement and the date of the audit opinion is issued).

Independent Board of Commissioners

Independent board of commissioners is a party that is not affiliated with the major shareholders, the members of board of directors, and other members of board of commissioners (Wicaksono, 2009:220). Based on the previous researches conducted by Wardhani and Raharja (2013), and Afify (2009), the variable of independent board of commissioners is measured by calculating the ratio or proportion between the numbers of independent board of commissioners compared to the total number of board of commissioners as of December 31. Therefore, the variable of independent board of commissioners in this study is calculated as follows:

$$\frac{\Sigma \text{Independent Board of Commissioners}}{\Sigma \text{Board of Commissioners}} \quad (1)$$

Board of Commissioners Size

The number of board of commissioners indicates the size of the board of commissioners (Mohamad-Nor et al. 2010). Based on research conducted by Mohamad-Nor et al. (2010) and Wardhani and Raharja (2013), the variable of board of commissioners size is measured by counting the number of the company's board of commissioners (the chairman and the members of board of commissioners). Therefore, the variable of board of commissioners' size in this study will be measured by looking at the number of board of commissioners existing in the banking companies at the end of the period, ie December 31.

Stock Ownership Concentration

Stock ownership concentration reflects the structure of the company's shareholding (Porta et al.

1999). The variable of stock ownership concentration is measured by calculating the proportion of the number of shares held by the big five shareholder. Therefore, the calculation of the stock ownership concentration may be formulated as follows:

$$\frac{\Sigma \text{Outstanding Shares Owned by The Five Largest Shareholders}}{\Sigma \text{Total Value of Shares Outstanding}} \quad (2)$$

The Independence of Audit Committee

Audit committee is an organ of the company that becomes the independent examiner and balancer to the internal audit function and becomes intermediary for external auditors (Hall, 2007:16). The variable of audit committee independence in this study is measured by assessing the level of independence of the audit committee through the proportion of the number of independent parties that become the members of the audit committee as of December 31. The proportion of the number of the independent party can be determined by comparing between the number of independent party and the total number of audit committee. Based on the description, the calculation formula can be made as follows:

$$\frac{\Sigma \text{Independent Parties}}{\Sigma \text{Audit Committee}} \quad (3)$$

Audit Committee Competence

The role of the audit committee in the company is very important because there is so much work to do. To be capable of doing the job properly, they require adequate competence. This is in line with the Regulation No. IX.I.5 on the Formation and Work Implementation Guidelines of the Audit Committee that the audit committee members are required to work independently and at least there is one person who has expertise in the field of accounting or finance. The variable of audit committee competence in this study is measured by calculating the proportion of audit committee who has a background in accounting compared to the number of audit committees as of December 31. The calculation formula can be made as follows:

$$\frac{\Sigma \text{Audit Committee Members with Accounting \& Financial}}{\Sigma \text{Audit Committee}} \quad (4)$$

Audit Committee Size

Regulation no. IX.I.5 on the Formation and Work Implementation Guidelines of the Audit Committee that the members of audit committee are at least three (3) people, including the chairman of the audit committee. The variable of the audit committee

size in this study is measured by the number of audit committee members existing in the company at the end of the year that is December 31.

Firm Size

The large size of the company can be seen from the total assets (Parwati and Suhardjo, 2009). The variable of the firm size in this study is measured by using natural log of total assets of the company.

Types of Auditor

Type of auditor in this study is a control variable; dummy in nature, obtained by grouping auditors who are from Public Accounting Firm affiliated with the big four Accounting Firm. The group of Public Accounting Firm affiliated with the big four Accounting Firms is coded 1, and the group, that is not affiliated with the big four Accounting Firm, is coded 0.

Profitability

The level of profitability, (Hanafi and Halim 2008: 159), indicates the company's ability to generate profits by using total assets (wealth) owned by the company after being deducted by the costs to manage these assets. Profitability in this study is calculated by return on assets (ROA) which is measured from the net profit after tax divided by total assets of financial year end of each sample company. The formula to calculate return on assets (ROA) is as follows:

$$\frac{\text{Net Profit}}{\text{Total Assets}} \quad (5)$$

4. DATA ANALYSIS AND DISCUSSION

Descriptive Analysis

Descriptive statistics show that the minimum value of the audit report lag variable is 23, which means that the shortest audit report lag is 23 days of the company's closing date, on December 31. The maximum value of 137 indicates that the longest audit report lag is 137 days. The preprocessed data shows that the average banking companies listed on the Indonesia Stock Exchange experienced audit report lag for approximately 70 days. It is based on the mean value of 69.81, so it is estimated that the majority of banking companies possibly report and publish their financial statements approximately 70 days after the closing date, December 31. It means that the majority of banking companies in Indonesia Stock Exchange is not late in submitting and reporting their financial statement and has met the requirements set by Bank Indonesia and the Indonesia Stock Exchange,

in which the maximum limit of the financial statement reporting is 90 days from the closing date.

A research conducted by Arifa (2013) on the manufacturing companies listed in Indonesia Stock Exchange gained an average result of audit report lag of 76.6736 days which is higher than the average audit report lag of banking companies listed in Indonesia Stock Exchange of 69.81 days. The similar result was also found in Malaysia. The research conducted by Che-Ahmad and Abidin (2008) on the companies listed in Bursa Malaysia (MYX) proved that the average audit report lag of financial companies is 105.97 days, shorter than that of non-financial companies, ie 115.53 days.

The result support the researches conducted by Nahumury (2010) and Ahmed and Hossain (2010) who found that financial companies, such as banking entities and mutual funds, have shorter audit report lag than that of non-financial companies because this type of company always makes a report every day making it easier to conduct internal control and surveillance.

Independent board of commissioners is the proportion between the number of independent board of commissioners divided by the number of board of commissioners as a whole. This variable has a minimum value of 0, and the maximum value of 1. This indicates that the minimum proportion of independent board of commissioners is 0, or in other words, there are banks that do not have independent board. In addition, the maximum value of 1 means that there are banking companies whose board of commissioners consists of all the independent board, or in other words that the proportion of the independent board is 100%. The mean variable of independent board at 0.5796 shows that the average banking companies have independent board above 50%. This indicates that most of the banking companies listed in Indonesia Stock Exchange have complied the provision of Bank Indonesia on good corporate governance (GCG), in which the minimum proportion of independent board is 50%.

Board size indicates the number of commissioners owned by a company, either independent board or non-independent parties. Based on the descriptive statistics test, the minimum value of this variable is 1, and the maximum value is 9. This means that the minimum number of commissioner owned by banking company is 1 person and maximum is 9 people. On the average, board size has a value of 4.87 which indicates that most companies have complied with the minimum number of

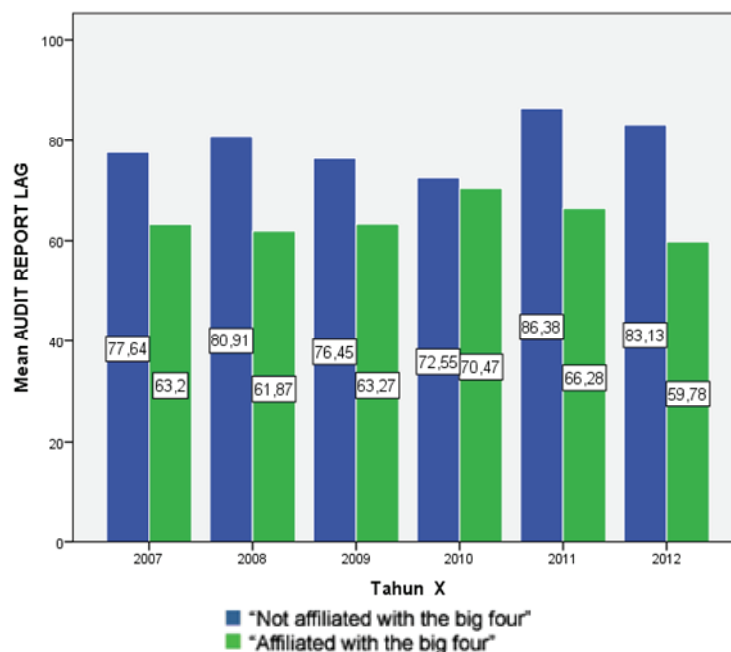
commissioners set by Bank Indonesia and Bapepam-LK, at least 3 people, although there are some companies that have not complied with the provision.

The stock ownership concentration is a variable that shows the spread of stock ownership, so the value which is close to 0 indicates that the share ownership is widespread. Conversely, if the value is close to 1, it indicates that the stock ownership is less spread or concentrated. Based on the result of the descriptive statistics test, it can be seen that the most widespread share ownership is the ownership with the rate of spread 42.83% of the 156 samples tested, and the concentration of ownership with the minimum spread is the rate of ownership concentration with the proportion of 1 or equal to 100%. The mean value of 0.781186 indicates that the stock ownership of the banking companies in Indonesia Stock Exchange tends to be concentrated.

The independence of the audit committee is the proportion of the number of audit committee who come from independent parties compared with the number of audit committee. This means that the value which is close to 0 indicates that the number of independent parties in the audit committee is getting less. Conversely, if the value is close to 1, then the number of independent parties in the audit committee of the company is getting more. The result of descriptive statistics test shows that the minimum value of the proportion of the independent party is 0, which means that there are still companies that do not have an independent party in the structure of the company's audit committee. The maximum value of the proportion of independent party is 1 which means that there are companies whose all members of the audit committee are independent party. The mean value of 0.60 shows that the average proportion of independent audit committee members is more than the member of non-independent party.

Audit committee competence variable is a variable that indicates the proportion of audit committee who has accounting background. The variable value which is close to 0 indicates the fewer number of audit committee who has accounting background. The result of descriptive statistics test in this study shows that the minimum value of this variable is 0, which means that there is a bank whose members of the audit committee do not have a background or experience in accounting, while the maximum value is 1 which shows that there are companies whose all members of the audit committee are experienced in the field of accounting. There

Figure 2
Graph of Average Audit Report Lag Based on Type of Auditor 2007-2012



are still companies whose members of the audit committee do not have accounting background. This shows that there are some companies that do not comply with the provisions of Bank Indonesia and Bapepam-LK which regulates that there shall be at least one member of the audit committee who has accounting background.

The size of the audit committee is the number of audit committee in the company. The result of descriptive statistics test shows that the minimum number of audit committee in a company is one person, and the maximum number of the audit committee is eight people. The mean value of 3.72 indicates that the majority of the audit committee of banking companies in Indonesia Stock Exchange is more than three people. This is in accordance with the provisions of Bank Indonesia and Bapepam-LK that the minimum number of the audit committee are three people, although there are still banking companies that have not complied with the provisions because the number of audit committee in the companies is less than three people.

The firm size in this study uses the log natural (ln) of total assets of the company. The value of log natural of total assets is directly proportional to the total value of assets. It means that the greater the value of the log natural of total assets, the greater the value of the assets owned by the company. Conversely, if the log natural value of the company is smaller, it reflects the lower value of total assets. The result of the descriptive statistics test shows that the minimum value of log

natural is 27.7861 which becomes the log natural of total assets of PT Bank Swadesi Tbk. in the period of 2007. Subsequently the maximum value is 34.0856 which becomes the natural log of total assets of PT Bank Mandiri Tbk. in 2012. Based on the precessed data, there are 12 companies of 26 total banking companies that have mean value of total assets above average overall value. This means that only a few banking companies that have large size because only 46% companies that have average annual total assets above the average total assets as a whole.

Type of auditor is a dummy variable that categorizes the Accounting Firms (KAP) that audit the financial statements of the company, whether or not affiliated with the big four Accounting Firms. Based on the descriptive statistics test, it appears that only 60 samples, or approximately 38.5% of the companies use the services of the Accounting Firms that are not affiliated with the big four Accounting Firms. The remaining 96 of the 156 total samples analyzed prefer to use the services of the Accounting Firms affiliated with the big four Accounting Firms. This means that the majority of banking companies listed in Indonesia Stock Exchange prefer to use the services of Accounting Firm affiliated with the big four Accounting Firm to audit the financial statements.

Based on the graph in Figure 2, can be obtained the average comparison of the audit report lag during 2007-2012 for Accounting affiliated with the big four Accounting Firm which is

Table 1
The Change of Accounting Firm on Banking Companies Listed in Indonesia Stock Exchange

	Number	Percentage
Samples that make change of Accounting Firm	33	21%
Samples that do not make change of Accounting Firm	123	79%
Total	156	100%

Table 2
The Result of Multiple Linear Regression Analysis

Variable	B	Sig.
(Constant)	46.446	0.256
Independent Board of Commissioners	-17.185	0.164
Board of Commissioners Size	-4.893	0.000
Ownership Concentration	16.158	0.096
Audit Committee Independence	3.772	0.769
Audit Committee Competence	-6.521	0.305
Audit Committee Size	-3.034	0.055
Company Size	1.944	0.137
Type of Auditor	-5.238	0.163
Profitability	-19.061	0.196

shorter than Accounting Firm that is not affiliated with the big four Accounting Firm. This means that the Accounting Firm affiliated with the big four Accounting Firm is faster in completing the financial statement audit process. This is in line with the research conducted by Tiono and JogiC (2013), Parwati and Suhardjo (2009), Wardhani and Raharjo (2013), as well as Swami and Latrini (2013) that the Accounting Firm affiliated with the big four Accounting Firm tends to be faster in completing the audit process. More over, this result also supports the previous descriptive statistics test result that the majority of banking companies in Indonesia Stock Exchange use the services of Accounting Firm affiliated with the big four Accounting Firm. One of the factors that drive the occurrence is the ability of auditors from Accounting Firm affiliated with the big four Accounting Firm that can complete the audit process faster than those from Accounting Firm that is not affiliated with the big four Accounting firm.

Profitability which is measured by return on assets (ROA) indicates the rate of a company's ability to use its assets to generate earnings. The minimum statistic value obtained from the descriptive statistics test shows that the lowest value of ROA is negative, which means that there is a company that suffers losses so that the value of ROA owned is negative. Furthermore, for the maximum value of 0.0353 indicates that the highest value of ROA is 0.0353, which means that each Rp. 1000.00 of assets owned by the company can earn Rp. 35 income for one period of accounting. The average value of 0.001947 means that each Rp. 1000.00 of the asset

owned by the company, on the average, can generate a profit of Rp. 19.47.

Statistics Test Result

The result of multiple linear analyses is obtained a new formula as follows:

$$ARL = 46.446 - 17.185 BIND - 4.893 BSIZE + 16.158 OWNC + 3.772 ACIND - 6.521 ACCOMP - 3.034 ACSIZE + 1.944 CSIZE - 5.238 TYPEA - 19.601 PROF + e$$

The summary of the result of the multiple linear regression analysis is:

β_0 = The result shows that the value of constant is 46.446 which means that if there is no independent variable such as independent board, board size, stock ownership concentration, the independence of audit committee, audit committee competence, audit committee size, firm size, type of auditor, and profitability, the value of audit report lag will be 46.446 or 47 days

β_1 = The value of regression coefficient of the board size (BSIZE) is 4.893. The coefficient value indicates the change of value in the opposite direction. If the board size is getting larger, the value of audit report lag would be getting smaller. Conversely, if the board size is getting smaller, the value of audit report lag will be getting larger.

Other coefficient variables are not explained because only board size variable that has significant effect, while the other independent variables are not significant. This is due to the significance value which is greater than 0.05 so that the independent variables, except for board size, do not significantly affect the dependent variable.

Table 3
Accounting Firms that Complete Audit More Than 90 Days

Type of Accounting Firm	Audit Report Lag > 90 days
Affiliated with the big four Accounting Firms	7
Not affiliated with the big four Accounting Firms	2
Total	9

The result of F test shows that the value of F test is 7.976 with the significance level of 0.00000, so H_0 is rejected because the significance value is less than 0.05. This means that there are independent variables that affect the dependent variable, or the audit report lag. And then the model is said 'fit or good'.

The result of R^2 shows that the value of adjusted R^2 is 0.288 which indicates the ability of independent variables to explain the variability of the dependent variable. This suggests that the regression model is quite good because 28.8% of variability of the dependent variable can be explained by the variability of the independent variable while 71.2% of variability of the dependent variable is explained by other variables that are not examined in this study.

Research Subject Description

Bank is business entity that raises funds from the public in the form of savings and channel them to the public in the form of credit and or other forms in order to improve the welfare of the community so that bank becomes financial intermediary in the economy of a country (Usman, 2003:59). Based on this description, it is known that bank is not only as a financial intermediary that channels funds from and to the community, but also as a business entity that seeks profit from its business activities. Banking companies listed in Indonesia Stock Exchange aim to raise public capital (investors) through the sale of shares.

The result of the survey of the banking companies in Indonesia Stock Exchange shows 35 companies listed in the period 2007-2012. However, there are 6 companies that do not meet the sampling criteria so that they are excluded from the sample. The result of the final selection of the population resulted in 156 samples used in this study.

The Effect of Independent Board of Commissioners Variable on Audit Report Lag

The variable of independent board of commissioners in this study indicates the proportion of the number of independent commissioners on the number of commissioners as a whole. Statistical test result shows a significance value of 0.164 which means that this variable statistically does not affect

the audit report lag (Table 2). This means that the number of independent commissioners owned by a company does not affect the length or shortness of the audit report lag.

National Committee on Governance (NCG) has updated guidelines for good corporate governance in Indonesia in 2006. In the new guidelines, the NCG requires that the number of independent board should be able to ensure the implementation of good surveillance mechanisms and in accordance with the regulations (National Committee on Governance, 2006: 13). In fact, Bank Indonesia, through regulation No. 8/4/PBI/2006 on the good corporate governance guidelines for commercial banks expressly established that the minimum number of independent commissioners in a company is 50% of the total company commissioners. It is intended to improve the quality of supervision mechanisms within the company. However, the result of this study indicates that the variable of independent board does not affect audit report lag. This means that the big or small proportion of independent board does not affect the length or shortness of the audit report lag. This result shows the failure indication of the independent commissioner to monitor effectively because almost all independent commissioners hold double position (audit committee, risk monitoring committee, and so on). From the total of 424 members of independent board, there were only 5 commissioners who do not hold another position. This is estimated to be the cause of the lack of supervision effectiveness performed, so the errors that occur can not be handled properly and the financial restatement occurs when the audit is performed by an independent auditor.

This study supports the result of research conducted by Wardhani and Raharja (2013). However, the result in this study is contrary to the result of research conducted by Afify (2009), Mohamad-Nor et al. (2010), Swami and Latrini (2013).

The Effect of Board of Commissioners Size Variable on Audit Report Lag

Board size indicates the number of commissioners in the company. The significance value of 0.0000 which is less than 0.05 shows that this study manages to prove the significant effect of board size on

the audit report lag (Table 2). This indicates that the big or small number of commissioners owned by the company will affect the length and the shortness of audit report lag. Too long in audit report lag leads to the lateness of the delivery of the company's financial statements to the Bapepam-LK, or over the limit. The result of the descriptive statistics analysis shows the average value of 4.87. This means that the majority of the companies have more than four commissioners, while the minimum limit is three commissioners. This suggests that the number of commissioners of the company is in accordance with the level of complexity of the company's operations so that the internal control runs well and the audit report lag can be shortened so that financial statements can be reported and published immediately.

The result of this study has in common with the result of previous studies such as conducted by Wardhani and Raharja (2013) who also found a significant effect between board size and audit report lag. However, this result is contrary to the result obtained by Mohamad-Nor et al. (2010) who found no significant effect between board size and audit report lag.

The Effect of Stock Ownership Concentration Variable on Audit Report Lag

The concentration of stock ownership is the proportion of shares held by the five largest shareholders in comparison to the total shares outstanding. This variable has a significance value greater than 0.05, which means that it does not have an influence on audit report lag (Table 2). This occurs because; base on the estimation, the stock ownership in Indonesia tends to be concentrated (not diffuse) so that the measurement of ownership concentration variable using the proportion or the rate of stock ownership by the five largest shareholders becomes less appropriate for the study sample (banking companies in Indonesia). This is supported by the result of the descriptive statistics analysis which shows that the concentration of stock ownership for banking companies in Indonesia tends to be centralized. Therefore, the measurement method of stock ownership concentration variable using proportion or the rate of stock ownership by the five largest shareholders would be more appropriate if the sample companies are in countries like America and Britain since Anglo-Saxon countries such as the UK and the US, the ownership structure relatively spreads evenly, whereas in developing countries, such as Indonesia, the ownership tends to be centralized

or concentrated (Porta et al. 1999). As an alternative measurement, the ownership concentration variable for the sample companies in Indonesia can be measured by looking at the percentage of managerial ownership or by seeing how large the proportion of institutional ownership that owns company's stock (Swami and Latrini, 2013).

This result of this research is consistent with the result of the study conducted by Afify (2009) that proved the absence of the influence of the concentration of stock ownership on audit report lag. However, this result is contrary to the result of the study conducted by Bamber, Bamber and Schorderbek (1993).

The Effect of the Independence of Audit Committee Variable on Audit Report Lag

The independence of audit committee is a variable which shows the proportion of the number of independent parties compared to the number of audit committee. The significance value of this variable is 0.769, or far above 0.05. This indicates that this variable has no effect (Table 2). Whereas, the result of descriptive statistics analysis shows that the average proportion of audit committee who are from the independent party is 60.12%, it means that the majority of the sample companies have the proportion of independent audit committee more than 50%. This figure has met the minimum limit of the proportion of the independent audit committee set by Bank Indonesia and Bapepam-LK. So it can be seen that the independence of audit committee is just for fulfilling the provision set by Bank Indonesia and Bapepam-LK. In this case, the companies act as if they had implemented good corporate governance well in order to obtain good valuation from the stakeholder. If the presence of independent audit committee is for complying the provision only, the audit committee's role in the company will become ineffective so that its presence is also not able to affect the length or the shortness of the audit report lag.

The result of this study is consistent with the research conducted by Mohamad-Nor et al. (2010). However, this study is contrary to the result of research conducted by Wardhani and Raharja (2013), Afify (2009) who found a significant relationship between audit committee independence and the audit report lag.

The Effect of Audit Committee Competence on Audit Report Lag

The competence of the audit committee in this study is the proportion of audit committee mem-

bers who have accounting background. The significance value of this variable is 0.305, which means that this variable does not significantly affect the audit report lag (Table 2). As for the reasons above, it is estimated to occur because the measurement of the variable uses the number of the audit committee members who have accounting background, although the people who have background in a certain field do not always have sufficient competence or expertise, so that this measurement method less reflects the competence of the committee audit, especially in the field of accounting. Therefore, a better measurement result will be obtained when the measurement of this variable is conducted using the number of members who have expertise in the field of accounting. In addition, since many members of the audit committee have other activities, such as being auditor in a Accounting Firm, their presence is not able to affect the length or the shortness of audit report lag.

This result is consistent with the result of the research conducted by Mohamad-Nor et al. (2010) who failed to find significant effect of the variable of the audit committee competence on audit report lag. However, this result is contrary to the result of the research conducted by Wardhani and Raharja (2013) who proved the existence of significant relationship between the competence of the audit committee and audit report lag.

The Effect of Variable of Audit Committee Size on Audit Report Lag

The size of the audit committee shows the number of audit committee members owned by a company (Table 2). This variable has a significance value of 0.055, which means that this variable does not affect the audit report lag variable, although the result of statistics analysis shows that the average number of audit committee in the company is 3.72, which means that the majority of companies have already met the provisions set by Bapepam-LK and BI because they have audit committee over 3 people. This indicates that the existing number of audit committee only for window dressing in order to met the provision of Bank Indonesia which regulates that the minimum number of audit committee is three. If the presence of an audit committee is for formality only, their role and function in the control mechanism will not run well, so that the size of the audit committee has no effect on audit report lag.

The result is consistent with the result of the research conducted by Wardhani and Raharja (2013) who found no significant effect of the size of

the audit committee on audit report lag. However, it is contrary to the result of research conducted by Mohamad-Nor et al. (2010) and Arifa (2013) who found significant effect of the size of the audit committee on audit report lag.

The Effect of Company Size Variable on Audit Report Lag

The company size shows the magnitude of the company's assets. The significance value of this variable is 0.137. This indicates that this variable does not statistically affect the audit report lag variable because the majority of the sample companies do not change the Accounting Firm, so that the independent auditor has understood the characteristics of the company.

Based on Table 1, it can be seen that 79% of the samples do not change the Accounting Firm, while the remaining 21% change the Accounting Firm. Therefore, if there is a change in the size of the company which is based on total assets, this means that there is addition or subtraction of assets. When the auditor has ever audited the same company in the previous year, the auditor does not need to examine all the assets owned by the company or in other words, the auditors only need to check the addition and subtraction of assets that occur so that the change in total assets does not affect the length / shortness of audit report lag. Moreover, with no change of Accounting Firm, the auditor would be better able to estimate the need of resources to be assigned in the audit process because they already have the experience of the previous year's audit process so that the company size does not cause the length / shortness of audit report lag.

The need of small resources could be caused by good internal control so that the audit process requires only small resources. In contrast, the need of large resources can occur because of the large number of transactions. Therefore, the total assets owned by the company do not affect the length of work completion in the field by an independent auditor.

This result is consistent with the result of the research conducted by Parwati and Suhardjo (2009), Tiono and JogiC (2013), Wardhani and Raharja (2013), who failed to prove the existence of the effect of company size on audit report lag, but it is in contrast with the result of research conducted by Afify (2009), Mohamad-Nor et al. (2010) and Indriyani and Supriyati (2012) who proved the existence of a significant effect of firm size on audit report lag.

The Effect of Type of Auditor Variable on Audit Report Lag

Type of auditor in this study classifies the samples into two groups, ie the group of samples which are audited by the Accounting Firm affiliated with the big four Accounting Firms and the group of samples that are not audited by the Accounting Firm affiliated with the big four Accounting Firms. The result of regression analysis shows that this variable has a significance value of 0.163, which means that there is no significant effect between the type of auditor and audit report lag.

During the period of 2007 - 2012, there are nine sample companies that have audit report lag of more than 90 days, which means that the nine companies are experiencing delays in reporting and publishing the financial statements. Table 3 shows that the companies that experience the lateness are not only those that are audited by Accounting Firm not affiliated with the big four Accounting Firms, but also those that are audited by Accounting Firm affiliated with the big four Accounting Firms. This means that the companies that are audited by Accounting Firm affiliated with the big four Accounting Firms are not always punctual in reporting financial statements. Likewise the companies that are audited by Accounting Firm not affiliated with the big four Accounting Firms are also not always punctual in reporting financial statements.

This due to the poor internal controls in the company since the majority of the commissioners have double accupation on other positions and the presence of an audit committee, who is also in charge of monitoring, is to meet the provision only, so that the two types of Accounting Firms cannot complete the audit before the time limit of the submission of the financial statements. Therefore, the companies, that are audited by both types of Accounting Firms, which are examined in this study do not always complete their audit process before the limit of the submission of financial statements (90 days), so that the type of auditor variable does not affect the audit report lag.

The result of this study is consistent with the research conducted by Tiono and JogiC (2013) who were not able to prove the significant effect of the type of auditor on audit report lag. However, this is contrary to the result of Parwati and Suhardjo (2009), Mohamad-Nor et al. (2010), Wardhani and Raharja, (2013), Swami and Latrini (2013), who found a significant effect of the type of auditor on audit report lag.

The Effect of Profitability Variable on Audit Report Lag

Profitability shows the company's ability to generate profits. This variable is proxied by Return on Assets (ROA) in this study. The significance value of this variable is 0.196, which means that profitability has no significant effect on the audit report lag. The result of descriptive statistics analysis shows that the average profitability of the banking companies in Indonesia Stock Exchange is likely to experience changes that fluctuate from year to year. However, the fluctuating changes have no impact on the length / shortness of audit report lag because the majority of the sample companies do not make change of Accounting Firm.

By making no changing of Accounting Firm, the independent auditor does not need to re-understand the business, characteristics, and the effectiveness of the company's internal control system from the beginning, so that it does not take a long time to gain confidence in the truth of the rate of profitability reported. That understanding has been studied by the auditor concerned in the previous year when auditing the same company. With the absence of the process, it will save the auditor's time in conducting the audit process. Therefore, the rate of profitability does not affect the audit report lag. This result is consistent with the result of the research conducted by Indriyani and Supriyati (2012), Tiono and JogiC (2013) who found that profitability does not affect the audit report lag of manufacturing companies in Indonesia. This result differs from the result of the research conducted by Parwati and Suhardjo (2009), Afify (2009), Arifa (2013) who succeeded to prove the existence of significant effect of the profitability on the audit report lag.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Of the nine variables which affect audit report lag are tested in this study, there are six variables which are in line with the characteristics of good corporate governance, while the other three variables; firm size, type of auditor and profitability are variables that are not characteristics of good corporate governance (GCG). Of the six characteristics of GCG being tested, there is only one variable that affects the audit report lag. This shows that the implementation of GCG in banking companies has not been optimal because most of the companies only apply the GCG to the extent in order to comply with the formalities of provision provided by the government only.

This study has several limitations; (1) This study has not used the eleven factors of the implementation of good corporate governance (GCG) for banking companies as stipulated in Bank Indonesia Regulation Number 13/1/PBI/2011 and BI Circular Letter No. 15/15/DPNP on the Implementation of Good Corporate Governance for Banks so that the results of this study less represent current conditions of GCG implementation by the banking companies in Indonesia Stock Exchange. (2) This study only uses secondary data sources of banking companies listed in Indonesia Stock Exchange without involving primary data so that the results of this study are still less maximum.

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